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SUBJECT: KAZAKHSTAN: PARLIAMENT DISCUSSES REVISIONS TO MARITIME
LAW

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REFTEL: 09 ASTANA 2255

11. (U) Sensitive but unclassified. Not for public Internet.

12. (U) SUMMARY: At a January 21 roundtable hosted by the Association of Maritime Transportation Entrepreneurs, parliamentarians and representatives of 10 ministries, international shipping companies, and the diplomatic community discussed the need for significant improvements in Kazakhstan's maritime transportation legislation. National maritime shipping company KazMorTransFlot (KMTF) highlighted its competitive disadvantage compared to other national shipping companies, which receive direct operational support from their governments. Chevron's maritime transportation advisor called for the creation of a single maritime administration and a marine academy to meet Kazakhstan's increasing demand for clear, consistent regulations and well-trained naval crews that meet international standards. As a result, the parliamentarians asked the Ministry of Transportation and Communications to provide recommendations on amendments to the 2002 Maritime Transportation Law to ensure its full compliance with International Maritime Organization (IMO) guidelines. END SUMMARY.

KMTF AT A COMPETITIVE DISADVANTAGE

13. (U) KMTF General Director Marat Ormanov compellingly argued his company's distinct disadvantage compared to competitors from Azerbaijan, Russia, and Iran. "The competition to ship oil via the Caspian Sea is getting tougher," he said. "The maritime shipping companies of Azerbaijan, Russia, and Iran are beefing up their trade fleets with government support, and we are at a competitive disadvantage." According to Ormanov, unlike all other Caspian fleets, Kazakhstani maritime shipping companies do not receive call-in port preferential rates in domestic ports. He highlighted that a KMTF tanker is charged \$8,600 more than an Azerbaijani vessel of the same type for every call-in at the Baku sea port. "As a result," he claimed, "we overpay \$600,000 annually, and lose any chance at competitiveness."

OIL TANKER SHIPMENTS EXPECTED TO INCREASE DRAMATICALLY

¶4. (U) Ormanov said that KMTF currently owns and operates four oil tankers, with two additional 13,000-deadweight ton (dwt) tankers expected by the end of the year. "Meanwhile," he asserted, "Azerbaijan has built 10 tankers in the last four years, primarily to ship Kazakhstan's oil. The lion's share of that investment came directly from the Azeri government." Ormanov added that Russia's Caspian fleet includes 27 oil tankers (including three new ships), Iran has three 63,000 dwt supertankers at various stages of construction, and Azerbaijan has a total of 45 vessels, including 10 new ones. Alexander Andrushenko, chairman of the Association of Maritime Transportation Entrepreneurs, claimed that the percentage of Kazakhstan's oil exports shipped by sea will increase from 15% to 40% by 2020 (NOTE: During this same period, Kazakhstani oil production is expected to double. END NOTE).

CALL FOR A NEW MARITIME ADMINISTRATION

¶5. (U) Ormanov also highlighted the absence of a single, unified Kazakhstani maritime administration with the authority and resources to guide the development of its nascent maritime transportation industry. Ormanov insisted that this administration must have professional staff who can enforce navigation safety, define state policy, establish a navigation registry, and manage the registration of ships and ship owners. "Maritime transportation in Kazakhstan is governed by many different agencies with many other interests," he said, noting the Azerbaijani maritime administration's sole authority over maritime transportation and direct line to President Aliyev.

LACK OF QUALIFIED CREWS A MAJOR CONCERN

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¶6. (U) Chevron's former Regional Marine Manager, Kjell Landin, now a private consultant, strongly agreed. He reiterated to the members of parliament and ministry officials that Kazakhstan should establish a single maritime administration with clear rules, a strong mandate, skilled staff, and sufficient resources to carry out its mission. Landin also proposed the establishment of a marine academy, training center, and apprenticeship programs to provide Kazakhstani mariners for the industry. He estimated that Kazakhstan will need 4,000 qualified mariners, including 1,500 officers, and 20-40 tankers, including some large vessels (40,000-60,000 dwt) by ¶2020. "Out of 900 mariners presently engaged onboard Kazakhstani-flagged vessels, only 19% are citizens of Kazakhstan," he highlighted, "while the number of senior officers who are citizens is almost zero." According to Landin, it takes a minimum of 15 years to train and certify a ship's captain. (NOTE: On January 1, Article 25 of the Law on Maritime Shipping came into effect, requiring that all crew members on Kazakhstani-flagged vessels be Kazakhstani citizens (reftel). END NOTE).

¶7. (U) Visibly impressed, parliamentarian Zeinulla Alshymbayev, a member of the transportation working group in the Mazhilis (lower house), vowed to incorporate the experts' recommendations into legislation currently under discussion. "I can see that there are many things we did not take into account in our draft," he acknowledged, such as the registration and flagging of vessels, long-term training programs for crews, and establishment of a single, unified maritime administration.

¶8. (SBU) COMMENT: If Kazakhstan's oil production increases as expected over the next five years, the Kazakhstan Caspian Transportation System (KCTS), which entails tanker shipments across the Caspian, will play a critical role in bringing the crude to market. The government and international oil companies thus far have focused on the ownership of the infrastructure required to transport the oil westward. This roundtable, however, underscored the significant need for attention to and investment in the legal framework, institutional authority, and human capacity in order for Kazakhstan to develop its maritime transportation industry, meet international standards, and compete with neighboring states. END COMMENT.

